DOCUMENT RESUME

ED 430 600 JC 990 266

AUTHOR	Campbell, Ralph
TITLE	Financial Statement Audit Report of Halifax Community College.
INSTITUTION	North Carolina Office of the State Auditor, Raleigh.
PUB DATE	1998-06-30
NOTE	33p.
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Accountability; *Audits (Verification); College Administration; Community Colleges; *Compliance (Legal); *Educational Finance; *Financial Audits; Financial Policy; Two Year Colleges
IDENTIFIERS	*Halifax Community College NC

ABSTRACT

This report presents the results of the Halifax Community College financial statement audit for the fiscal year ending on June 30, 1998. Halifax Community College is a component of the State of North Carolina, thus the authority to audit is granted by Article 5A of G.S. 147. The accounts and operations of the institution were subject to audit procedures considered necessary to complete the audit work necessary for North Carolina's Comprehensive Annual Financial report (CAFR). In addition, auditing procedures considered necessary to report on the financial statements relating solely to Halifax Community College were also performed. The objectives of the audit were to express an opinion on the financial statements; to present instances of noncompliance (if any) with laws, regulations, contracts or grants; and to present significant deficiencies (if any) in internal control over financial reporting. The tests found the financial statements to present the amounts and disclosures made in accordance with generally accepted accounting principles as described in the Independent Auditor's Report on the Financial Statements. The investigation also revealed that no instances of noncompliance or material weaknesses in internal control over financial reporting occurred which would require disclosure under the Government Auditing Standards. (SKF)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 430 600

JC

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

HALIFAX COMMUNITY COLLEGE

WELDON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 1998

JC990266

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
E. Brumback
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

BEST COPY AVAILABLE

FINANCIAL STATEMENT AUDIT REPORT OF

HALIFAX COMMUNITY COLLEGE

WELDON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 1998

BOARD OF TRUSTEES

SARAH K. KITTNER, CHAIRMAN

FRANKIE YOUNG, VICE CHAIRMAN

HUGH BAZEMORE
HARRY BRANCH
KENNETH BRANTLEY
BERNELLA DELAMORA
JACK L. MOORE
NEAL C. PHILLIPS
SUETTA S. SCARBROUGH
LILLIE J. SOLOMON
PHILLIP W. TAYLOR
ANNE BECKWITH YATES

ADMINISTRATIVE OFFICERS

DR. TED H. GASPER, PRESIDENT

RALPH REYNOLDS, BUSINESS MANAGER

STATE OF NORTH CAROLINA
Office of the State Auditor

RALPH CAMPBELL, JR.
STATE AUDITOR

300 N. SALISBURY STREET
RALEIGH, N. C. 27603-5903
TELEPHONE: (919) 733-3217
FAX: (919) 733-8443

AUDITOR'S TRANSMITTAL

The Honorable James B. Hunt, Jr., Governor
The General Assembly of North Carolina
Board of Trustees, Halifax Community College

This report presents the results of our financial statement audit of Halifax Community College, a component unit of the State of North Carolina, for the year ended June 30, 1998. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report* (CAFR) and the State's *Single Audit Report*. In those reports the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subject to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Halifax Community College. The audit procedures were conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

1. **Objective** - Express an opinion on the financial statements.

   Results - The financial statements present fairly the amounts and disclosures made in accordance with generally accepted accounting principles. These matters are described in the Independent Auditor's Report on the Financial Statements.

2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

   Results - Our tests disclosed no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements.

   Results - Our tests disclosed no material weaknesses in internal control over financial reporting which require disclosure herein under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 1

FINANCIAL STATEMENTS

Exhibits

A Balance Sheet 3

B Statement of Changes in Fund Equity 5

C Statement of Current Funds Revenues, Expenditures, and Other Changes 6

Notes to the Financial Statements 7

REQUIRED SUPPLEMENTARY INFORMATION

Year 2000 Issues 18

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 21

DISTRIBUTION OF AUDIT REPORT 23

STATE OF NORTH CAROLINA
Office of the State Auditor

RALPH CAMPBELL, JR.
STATE AUDITOR

300 N. SALISBURY STREET
RALEIGH, N. C. 27603-5903
TELEPHONE: (919) 733-3217
FAX: (919) 733-8443

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Trustees
Halifax Community College
Weldon, North Carolina

We have audited the accompanying Balance Sheet of Halifax Community College, a component unit of the State of North Carolina, as of June 30, 1998, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Halifax Community College as of June 30, 1998, and the changes infund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1E to the financial statements, the College implemented Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, for the year ended June 30, 1998.

The required supplementary information on year 2000 issues listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain

procedures prescribed by professional standards because we could not evaluate the information using the criteria in Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, as amended. In addition, we do not provide assurance that the College is or will become year 2000 compliant, that the College's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the College does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 1999, except for the first paragraph, as to which the date is May 3, 1999, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Ralph Campbell, Jr.
State Auditor

January 13, 1999, except for Note 12,
as to which the date is May 3, 1999

Halifax Community College
Balance Sheet
June 30, 1998

Exhibit A

	Current Funds			Fiduciary Funds			Plant Funds	
	Unrestricted							
	General	Proprietary	Restricted	Loan	Endowment	Agency	Unexpended	Investment in Plant
ASSETS								
Cash and Cash Equivalents:								
Petty Cash and Change Funds	$ 1,115.55	$ 925.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Cash in Bank - Checking (Overdraft)	521,519.91	420,076.32	(7,964.72)	21,300.22		2,912.53	13,836.97	
Investments:								
Money Market Funds	33,570.17		13,269.75					
Corporate Bonds	68,114.89		12,810.18		203,829.53			
Receivables:								
Accounts Receivable (Net)	10,238.90	61,113.59	160.00					
Due from Federal Agencies			487.53					
Due from Local Governments			82,213.29					
Student Loans Receivable (Net)				1,226.51				
Inventories:								
Merchandise for Resale		80,517.40						
Supplies and Materials	24,986.74							
Gasoline and Fuel Oil	428.87							
Postage	4,576.85							
Fixed Assets:								
Land								134,800.00
Buildings								8,586,175.03
Other Structures and Improvements								50,629.60
Equipment								853,785.80
Motor Vehicles								94,894.03
Library Books								1,211,494.06
Total Assets	$ 664,551.88	$ 562,632.31	$ 100,976.03	$ 22,526.73	$ 203,829.53	$ 2,912.53	$ 13,836.97	$ 10,931,778.52

BEST COPY AVAILABLE

LIABILITIES AND FUND EQUITY	Current Funds			Fiduciary Funds			Plant Funds	
	Unrestricted							
	General	Proprietary	Restricted	Loan	Endowment	Agency	Unexpended	Investment in Plant
Liabilities:								
Accounts Payable	$ 8,464.02	$ 9,763.97	$ 1,916.37	$ 0.00	$ 0.00	$ 555.46	$ 1,321.76	$ 0.00
Accrued Payroll	36,707.57		534.56					
Due to State Agencies	7,583.25			300.00				
Accrued Vacation Leave	487,936.38	4,330.36						
Funds Held for Others						2,357.07		
Total Liabilities	540,691.22	14,094.33	2,450.93	300.00	0.00	2,912.53	1,321.76	0.00
Fund Equity:								
Investment in General Fixed Assets:								
State								6,783,873.44
County								3,080,179.97
Federal								1,043,609.82
Institutional								24,115.29
Fund Balances:								
Quasi-Endowment - Restricted					203,829.53			
Other Fund Balances:								
Restricted			98,525.10	22,226.73			12,515.21	
Unrestricted	123,860.66	548,537.98						
Total Fund Equity	123,860.66	548,537.98	98,525.10	22,226.73	203,829.53	0.00	12,515.21	10,931,778.52
Total Liabilities and Fund Equity	$ 664,551.88	$ 562,632.31	$ 100,976.03	$ 22,526.73	$ 203,829.53	$ 2,912.53	$ 13,836.97	$ 10,931,778.52

The accompanying notes to the financial statements are an integral part of this statement.

BEST COPY AVAILABLE

Halifax Community College
Statement of Changes in Fund Equity
Year Ended June 30, 1998

Exhibit B

	Current Funds			Fiduciary Funds		Plant Funds	
	Unrestricted						
	General	Proprietary	Restricted	Loan	Endowment	Unexpended	Investment in Plant
Revenues and Other Additions:							
Net Certification - Department of Community Colleges	$ 6,888,266.57	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 413,301.79	$ 0.00
County Appropriations	658,632.00					29,000.00	
Federal Grants and Contracts	18,240.25		1,961,960.31				
State Grants and Contracts			127,247.11				
Private Gifts, Grants and Contracts	5,436.00		91,164.62				
Investment Income	48,061.98		13,642.11			2,133.20	
Net Increase in the Fair Value of Investments	4,472.20						
Student Fees	6,555.40	18,433.63	2,800.00				
Sales and Services		489,007.46					
Commissions Earned	210.00	15,545.38					
Expended for Plant Facilities							63,835.97
Other Sources	23,499.37	15,962.61	4,913.00	2,238.44			
Total Revenues and Other Additions	7,653,373.77	538,949.08	2,201,727.15	2,238.44	0.00	444,434.99	63,835.97
Expenditures and Other Deductions:							
Educational and General	7,691,127.67	26,454.14	2,109,152.57				
Indirect Costs Recovered			18,030.25				
Plant:							
Buildings						3,504.74	
Other Structures and Improvements						84,038.06	
Equipment						361,321.88	
Books						53,303.83	
Auxiliary Enterprises and Live Projects		434,380.48					
Disposal of Plant Facilities							20,023.00
Other Expenditures and Deductions				6,564.40			
Total Expenditures and Other Deductions	7,691,127.67	460,834.62	2,127,182.82	6,564.40	0.00	502,168.51	20,023.00
Transfers:							
Non-Mandatory Transfers In (Out)	27,514.55	(61,800.18)	(56,356.55)		58,842.00	31,800.18	
Net Increase (Decrease) for the Year	(10,239.35)	16,314.28	18,187.78	(4,325.96)	58,842.00	(25,933.34)	43,812.97
Fund Equity July 1, 1997	134,100.01	532,223.70	80,337.32	26,552.69	144,987.53	38,448.55	10,887,965.55
Fund Equity June 30, 1998	$ 123,860.66	$ 548,537.98	$ 98,525.10	$ 22,226.73	$ 203,829.53	$ 12,515.21	$ 10,931,778.52

The accompanying notes to the financial statements are an integral part of this statement.

BEST COPY AVAILABLE

Halifax Community College
Statement of Current Funds Revenues, Expenditures, and Other Changes
Year Ended June 30, 1998
(With Comparative Totals for 1997)

Exhibit C

	Unrestricted				Totals Year Ended June 30,	
	General	Proprietary	Total	Restricted	1998	1997
Revenues:						
Net Certification - Department of Community Colleges	$ 6,888,266.57	$ 0.00	$ 6,888,266.57	$ 0.00	$ 6,888,266.57	$ 6,356,094.65
County Appropriations	658,632.00		658,632.00		658,632.00	659,132.00
Federal Grants and Contracts	18,240.25		18,240.25	1,943,931.99	1,962,172.24	1,657,172.51
State Grants and Contracts				106,931.41	106,931.41	43,174.67
Private Gifts, Grants and Contracts	5,436.00		5,436.00	40,812.45	46,248.45	41,738.11
Investment Income	48,061.98		48,061.98	10,660.17	58,722.15	48,982.55
Net Increase in the Fair Value of Investments	4,472.20		4,472.20		4,472.20	
Student Fees	6,555.40	18,433.63	24,989.03	3,212.05	28,201.08	32,687.26
Sales and Services		489,007.46	489,007.46		489,007.46	498,489.75
Commissions Earned	210.00	15,545.38	15,755.38		15,755.38	16,415.02
Other Sources	23,499.37	15,962.61	39,461.98	3,604.50	43,066.48	20,083.84
Total Revenues	7,653,373.77	538,949.08	8,192,322.85	2,109,152.57	10,301,475.42	9,373,970.36
Expenditures:						
Educational and General:						
Instruction	4,585,999.92		4,585,999.92	353,026.31	4,939,026.23	4,577,181.63
Learning Resources	156,657.43		156,657.43		156,657.43	127,944.37
Student Services	526,777.76	26,454.14	553,231.90	193,232.85	746,464.75	696,430.08
Plant Operation and Maintenance	563,737.75		563,737.75		563,737.75	548,566.19
Institutional Support	1,757,367.81		1,757,367.81	60,777.00	1,818,144.81	1,597,934.98
Student Financial Aid	100,587.00		100,587.00	1,502,116.41	1,602,703.41	1,307,036.94
Auxiliary Enterprises and Live Projects		434,380.48	434,380.48		434,380.48	446,474.36
Total Expenditures	7,691,127.67	460,834.62	8,151,962.29	2,109,152.57	10,261,114.86	9,301,568.55
Transfers and Additions/(Deductions):						
Restricted Receipts Over Revenues Earned				74,544.33	74,544.33	41,428.69
Non-Mandatory Transfers In (Out)	27,514.55	(61,800.18)	(34,285.63)	(56,356.55)	(90,642.18)	(35,086.94)
Net Increase (Decrease) In Fund Equity	$ (10,239.35)	$ 16,314.28	$ 6,074.93	$ 18,187.78	$ 24,262.71	$ 78,743.56

The accompanying notes to the financial statements are an integral part of this statement.

BEST COPY AVAILABLE

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. The accompanying financial statements present all funds for which the College's board of trustees is accountable. The Halifax Community College Foundation, Inc. is governed by a 19 member board appointed by the board of directors of the Halifax Community College Foundation, Inc. and approved by the board of trustees of Halifax Community College. Although legally separate, the Foundation is reported as if it were part of the College because its sole purpose is to solicit, receive, invest and disburse funds for the enrichment, enhancement and promotion of the programs and services of Halifax Community College. The Foundation's financial statements have been blended with those of the College. Separate financial statements for the Foundation may be obtained from the College. Halifax Community College is a component unit of the State of North Carolina and the financial statements of the College are an integral part of the State's *Comprehensive Annual Financial Report.*

B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with generally accepted accounting principles guided by standards of the Financial Accounting Standards Board, except in circumstances where the Governmental Accounting Standards Board has issued a pronouncement applicable to public colleges and universities. The College also follows the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, *Audits of Colleges and Universities.*

C. **Fund Structure** - The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

The **Current Funds** are used to account for all financial transactions of the general operations of the College, with the unrestricted and restricted funds shown separately. Also, the Proprietary Funds reflecting the operations of the student supply store, other auxiliary enterprises and student activity funds are shown separately from the other unrestricted funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The **Fiduciary Funds** are used to account for the Student Loan Funds, Endowment Funds, and Agency Funds held by the College. The Agency Funds are those funds of students and organizations held by the College as custodian. The transactions of the Agency Funds do not result in any revenues or expenditures for the College; therefore, these funds are not reflected in the statement of changes in fund equity.

The **Plant Funds** are used to account for the Unexpended Plant Funds and the Investment in Plant Fund.

D. **Basis of Accounting** - The accompanying financial statements were prepared in accordance with generally accepted accounting principles for colleges and universities. The generally accepted basis of accounting for colleges and universities is the accrual basis, except that no depreciation expense is reflected.

E. **Investments** - Effective July 1, 1997, the College implemented Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* which requires that investments be reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The increase or decrease in fair value during the year is reported as "Net Increase (Decrease) in the Fair Value of Investments."

F. **Receivables and Allowance for Doubtful Accounts** - The receivables are reflected in the accompanying financial statements net of the allowances for doubtful accounts.

G. **Inventories** - Inventories held by the College are priced at cost using the first-in, first-out method. The inventories for the Current Unrestricted General Funds consist of expendable supplies held for consumption. Inventories for the Proprietary Funds consist of textbooks and other merchandise for resale.

H. **Fixed Assets and Depreciation** - All fixed assets are reflected as expenditures of the fund when purchased in the year of acquisition. The fixed assets acquired are reflected as an addition to the Investment in Plant Fund and carried at the cost of acquisition until disposed of. No depreciation is reflected.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. **Vacation and Sick Leave** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

The College has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

J. **Current Funds Revenues** - Current funds revenues, as reflected on Exhibit C, include (1) all unrestricted gifts, grants, and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include restricted current funds received but not expended or resources that are restricted by external persons or agencies to funds other than current funds.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with G.S. § 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, the carrying amount of cash on deposit was $971,681.23 and the bank balance was $997,726.33. All of the cash was on deposit with private financial institutions.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Of the cash on deposit with private financial institutions at June 30, 1998, $116,558.71 of the bank balance was covered by federal depository insurance and $881,167.62 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

B. **Investments** - State General Statute 115D-58.6 authorizes the College to invest in obligations of the United States or obligations fully guaranteed, both as to principal and interest, by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and The North Carolina Capital Management Trust, an SEC registered mutual fund.

The College's investments are categorized to give an indication of the level of risk assumed by the College. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a financial institution's trust department or agent, but not in the College's name.

A summary of the College's investments at June 30, 1998, is presented below.

	Fair Value			
	Risk Category			
	1	2	3	Total
Investments Categorized:				
Corporate Bonds	$ 284,754.60	$ 0.00	$ 0.00	$ 284,754.60
Investments Not Categorized:				
Money Market Funds				46,839.92
Total Investments				$ 331,594.52

BEST COPY AVAILABLE

NOTE 3 - RECEIVABLES

The gross receivables and related allowances for doubtful accounts at June 30, 1998, were:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Accounts Receivable:			
Students	$ 35,833.03	$ 20,822.09	$ 15,010.94
Vendors	55,769.82		55,769.82
Returned Checks	5,927.24	5,195.51	731.73
Total Accounts Receivable	$ 97,530.09	$ 26,017.60	$ 71,512.49
Student Loans Receivable:			
Vocational Technical Loan Fund	$ 300.00	$ 0.00	$ 300.00
Institutional Loan Funds	39,116.95	38,190.44	926.51
Total Student Loans Receivable	$ 39,416.95	$ 38,190.44	$ 1,226.51

NOTE 4 - INTERFUND BORROWING

Interfund borrowing of a temporary nature has occurred where one bank account is maintained for more than one fund. The number of funds with cash overdrafts and the total of the overdraft within each fund group at June 30, 1998, are as follows:

Fund Group	Number of Funds	Total Overdraft
Current Unrestricted General	1	$ 7,003.89
Current Unrestricted Proprietary	1	22.89
Current Restricted	11	97,960.64
		$ 104,987.42

Interfund borrowings of a temporary nature have not been reported as an asset of the fund making the advance or as a liability of the fund receiving the advance, because the fund making the temporary loan has not been determined by the College.

BEST COPY AVAILABLE

NOTE 5 - CHANGES IN FIXED ASSETS

A summary of changes in the fixed assets is presented as follows:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Land	$ 134,800.00	$ 0.00	$ 0.00	$ 134,800.00
Buildings	8,586,175.03			8,586,175.03
Other Structures and Improvements	50,629.60			50,629.60
Equipment	823,811.92	29,973.88		853,785.80
Motor Vehicles	94,894.03			94,894.03
Library Books	1,197,654.97	33,862.09	20,023.00	1,211,494.06
Total Fixed Assets	$ 10,887,965.5	$ 63,835.97	$ 20,023.00	$ 10,931,778.52

NOTE 6 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in various state-administered risk pools, purchase of commercial insurance, and self retention of certain risks.

Tort claims of up to $150,000 are self insured under the authority of the State Tort Claims Act. In addition, the State provides an additional $11,000,000 public officers' and employees' liability insurance via contract with a private insurance company. The premium, based on a composite rate, is paid by the Department of Community Colleges directly to the insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a state administered public entity risk pool. This fund is financed by premiums and interest and reinsures losses greater than $5 million with commercial insurers. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other college-owned vehicles are covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the State Department of Insurance with coverage of $5,000,000 per occurrence and a

NOTE 6 - RISK MANAGEMENT (CONCLUDED)

$10,000 deductible. Employees paid from County and Institutional Funds are covered by commercial insurance with coverage of $25,000 and $500 deductible.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, an internal service fund of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several HMO plans.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the board entirely from County or Institutional Funds.

Term life insurance of $25,000 to $50,000 is provided to eligible workers. This self insured death benefit program is administered by the State Treasurer's Office and funded via employer contributions.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 7 - TRANSFERS BETWEEN FUND GROUPS

The following analysis reflects the details of the transfers between fund groups.

	Current Funds			Fiduciary Funds	Plant Funds
	Unrestricted				
	General	Proprietary	Restricted	Endowment	Unexpended
Non-Mandatory Transfers:					
From: Bookstore	$ 0.00	$ (30,000.00)	$ 0.00	$ 0.00	$ 0.00
To: HCC Scholarships	30,000.00				
From: Overhead Receipts	(1.93)				
To: Pell Grant			1.93		
From: Parking Fees		(31,800.18)			
To: Parking Resurfacing					31,800.18
From: Foundation: General	(2,762.40)				
To: Foundation: Growth			778.69		
Foundation: Restricted Endowed			1,983.71		
From: Foundation: Annual			(278.88)		
To: Foundation: General	278.88				
From: Foundation: Restricted Endowed			(58,842.00)		
To: Foundation: Endowed				58,842.00	
Net Transfers In (Out)	$ 27,514.55	$ (61,800.18)	$ (56,356.55)	$ 58,842.00	$ 31,800.18

NOTE 8 - PENSION PLANS

A. **Teachers' and State Employees' Retirement System** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System of North Carolina (System), a multiple-employer, cost-sharing, defined benefit pension plan which is administered by the North Carolina State Treasurer. Additional detailed information about the System is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*. Employees contributed 6% of gross wages and the College contributed, for pension benefits, 7.78% of covered wages for the year ended June 30, 1998. The College has no pension plan obligations beyond the matching already paid into the System.

For the year ended June 30, 1998, the College had a total payroll of $5,840,848.72, of which $5,047,745.67 was covered under the Teachers' and State Employees' Retirement System. The College contributed $392,714.61 as matching pension costs during the year. Employee contributions totaled $302,864.79.

NOTE 8 - PENSION PLANS (CONCLUDED)

The College made one hundred percent of its annual required contributions to the retirement plan for the years ended June 30, 1998, 1997, and 1996, which were $392,714.61, $370,223.45, and $350,104.93, respectively.

B. Deferred Compensation and Supplemental Retirement Income Plans

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits each participant to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation of service, death, disability, retirement or due to financial hardships if approved by the Board of Trustees of the Plan. All costs of administering and funding the plan are the responsibility of the Plan. No costs are incurred by the College. All amounts, property and rights derived from deferred compensation and income earned on the deferred compensation are, until paid or made available to the employee or other beneficiary, solely the property and rights of the State of North Carolina, subject only to the claims of the State's general creditors. The State believes that it is very unlikely that it will use these assets to satisfy the claims of general creditors in the future. The voluntary contributions by employees amounted to $57,201.78 for the year ended June 30, 1998.

IRC Section 401(k) Plan - All employees who are members of the Teachers' and State Employees' Retirement System of North Carolina are eligible to enroll in the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(k). Members of the plan may receive their benefits upon retirement, disability, termination, hardship, or death. All costs of administering the plan are the responsibility of the plan's participants. Voluntary contributions by employees amounted to $16,260.00 during the year ended June 30, 1998.

IRC Sections 403(b) and 403(b)(7) Plans - All permanent employees who are at least half-time can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of educational institutions and non-profit organizations. All costs of administering and funding these plans are the responsibility of the plans' participants. Voluntary contributions by employees amounted to $21,643.33 during the year ended June 30, 1998.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

A. **Health Care for Long-Term Disability Beneficiaries and Retirees** - The College participates in state administered programs which provide health care benefits to eligible former employees. Additional detailed information about these programs is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*. The College contributes 2% of covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 1998, the College's total contribution for these health care benefits was $100,954.91. The College assumes no liability for these health care benefits provided by the programs other than its contribution.

B. **Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (the Plan). The Plan provides disability income to eligible participants. Eligible participants are employees that are members of the Teachers' and State Employees' Retirement System. Additional detailed information about the Plan is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the Plan. For the fiscal year ended June 30, 1998, the College's total contribution to the Plan was $26,248.28. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

NOTE 10 - UNEXPENDED COUNTY APPROPRIATIONS

Unexpended County Current Funds and County Plant Funds do not revert and are available for future use as approved by the county commissioners.

NOTE 11 - STUDENT FEES COLLECTED

The student fees reported in the accompanying financial statements represent the student fees administered by the College. Other student fees collected by the College for the year ended June 30, 1998, are not reflected on the statement of revenues, expenditures, and changes in fund equity (Exhibit B) since they are deposited into a separate fund administered by the Department of Community Colleges. These receipts are as follows:

Student Fees:		
Curriculum:		
In-State	$ 538,395.43	
Out-of-State	18,093.00	
Additional Fees	20,607.76	
Total Curriculum		$ 577,096.19
Non-Curriculum:		
Occupational	87,722.75	
GED Fees	1,273.00	
Total Non-Curriculum		88,995.75
Other Fees:		
Patron Fees		129,505.06
Total Student Fees		$ 795,597.00

NOTE 12 - EVENT SUBSEQUENT TO COMPLETION OF INITIAL AUDIT FIELD WORK

On March 29, 1999, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin (TB) 99-1, *Disclosures about Year 2000 Issues – an amendment of Technical Bulletin 98-1*. The amendment, among other things, provides that required year 2000 disclosures may be reported as required supplementary information. Retroactive application of TB 99-1 is permitted. The College has elected to apply TB 99-1 retroactively for its 1998 financial statements, and to present the year 2000 disclosures as required supplementary information.

BEST COPY AVAILABLE

YEAR 2000 ISSUES

Governmental Accounting Standards Board Technical Bulletin 98-1 (TB 98-1), *Disclosures about Year 2000 Issues*, dated October 1998, states in part that (a) the year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect a government's operations as early as fiscal year 1999, and (b) problems affecting a wide range of government activities will likely result if computers and other electronic equipment that are dependent upon date-sensitive coding are not corrected. TB 98-1 further states that these problems have a potential for causing a disruption to some government operations and may temporarily increase the cost of those operations. In accordance with the requirements of TB 98-1, the College makes the following disclosures about year 2000 issues.

Description of Year 2000 Issues and the Stages of Work Necessary to Make Systems Compliant - The College's mission critical electronic data processing systems and equipment are provided by the Department of Community Colleges, but the systems can be modified by the College. The Department of Community Colleges is responsible for remediating the core operations of these systems and the College is responsible for modifications it has made to the systems.

The College has other systems not provided by the Department of Community Colleges and has recognized the urgency in dealing with the year 2000 dilemma and established a year 2000 Project Team (project team) during fiscal year 1997. The project team's roles and responsibilities include: conducting awareness sessions with department/technical contacts; determining the business impact of system failures; identifying date sensitive systems, electronic equipment, and equipment with embedded chips; determining contingency plans; determining source of funds; determining conversion approaches and schedules; analyzing third-party compliance; working with application analysts and programmers to test acceptance and production readiness, convert applications and equipment, and test applications; and work with a special year 2000 test resource team to perform quality assurance reviews.

The College and the Department of Community Colleges have completed an inventory of the College's electronic data processing systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the College's operations. The College and the Department of Community Colleges are subjecting those systems and equipment to the following stages of work to address year 2000 issues:

- Awareness Stage – Establishing a budget and project plan for dealing with the year 2000 issue.
- Assessment Stage – Identifying the systems and components for which year 2000 compliance work is needed.

- Remediation Stage – Making changes to systems and equipment.
- Validation/Testing Stage – Validating and testing the changes that were made during the remediation stage.

The College's and the Department of Community Colleges' year 2000 remediation work for its mission critical systems and electronic equipment is in the following stages of work as of June 30, 1998. (A – needs to be addressed, P – in process, C – completed)

Description of Mission Critical System	Awareness Stage	Assessment Stage	Remediation Stage	Validation/ Testing Stage
General Ledger, Accounts Payable, Payroll and Human Resources, Student Accounts Receivable and Cash Receipts, Purchasing, Student Admission, Student Financial Aid, Continuing Education Registration, Equipment Inventory, Common System Containing Control Numbers Used to Support Various Other Applications, and the Unix Operating System	C	C	P	A
Curriculum Student Registration, Literacy Application that Accesses Continuing Education Records for Tracking Students	C	C	C	P
Library & Academic Resource Systems, Communications Systems, Payroll Direct Deposit	C	P	P	A
LAN & Distributive Network Systems	P	P	P	A
Bookstore Supply, Computer Labs for Student Use	C	C	C	C

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. As a result of this uncertainty, management cannot assure that the College is or will be year 2000 ready, that the College's and the Department of Community Colleges' remediation efforts will be successful in whole or in part, or that parties with whom the College does business will be year 2000 ready.

Outstanding Contractual Commitments Related to Year 2000 Efforts - The College had no contractual commitments outstanding at June 30, 1998, related to year 2000 remediation efforts.

BEST COPY AVAILABLE

STATE OF NORTH CAROLINA
Office of the State Auditor

RALPH CAMPBELL, JR.
STATE AUDITOR

300 N. SALISBURY STREET
RALEIGH, N. C. 27603-5903
TELEPHONE: (919) 733-3217
FAX: (919) 733-8443

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Halifax Community College
Weldon, North Carolina

We have audited the financial statements of Halifax Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 1998, and have issued our report thereon dated January 13, 1999, except for Note 12 as to which the date is May 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ralph Campbell, Jr.
State Auditor

January 13, 1999, except for the first paragraph,
as to which the date is May 3, 1999

DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Ted H. Gasper	President, Halifax Community College
Mr. Ralph Reynolds	Business Manager, Halifax Community College
Ms. Suetta Scarbrough	Chairman, Board of Trustees, Halifax Community College

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Frank W. Ballance, Jr.	Representative Martha B. Alexander
Senator Patrick J. Ballantine	Representative E. Nelson Cole
Senator Roy A. Cooper, III	Representative James W. Crawford, Jr.
Senator James Forrester	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Ruth M. Easterling
Senator David W. Hoyle	Representative Joe Hackney
Senator Howard N. Lee	Representative Thomas C. Hardaway
Senator Fountain Odom	Representative Martin L. Nesbitt
Senator Beverly M. Perdue	Representative Edd Nye
Senator Aaron W. Plyler	Representative William C. Owens, Jr.
Senator Anthony E. Rand	Representative Liston B. Ramsey
Senator Robert G. Shaw	Representative E. David Redwine
Senator Ed N. Warren	Representative Stephen W. Wood
Senator Allen H. Wellons	Representative Thomas E. Wright

Other Legislative Officials

Representative Phillip A. Baddour, Jr.	Majority Leader of the N.C. House of Representatives
Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

June 8, 1999

BEST COPY AVAILABLE

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
300 North Salisbury Street
Raleigh, North Carolina 27603-5903

Telephone: 919/733-3217

Facsimile: 919/733-8443

E-Mail: reports@ncauditor.net

A complete listing of other reports issued by the Office of the North Carolina State Auditor is available for viewing and ordering on our Internet Home Page. To access our information simply enter our URL into the appropriate field in your browser: http://www.osa.state.nc.us.